

FUXING CHINA GROUP LIMITED

(Incorporated in the Bermuda with limited liability)

(Company Registration Number: 38973)

Condensed Interim Financial Statements

For the six months ended 30 June 2021

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A. CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME

		The Group	
		6 months ended 30 June 2021	6 months ended 30 June 2020
		(Unaudited) RMB'000	(Unaudited) RMB'000
	<i>Note</i>		
Revenue	4	341,228	337,228
Cost of sales		<u>(312,872)</u>	<u>(324,206)</u>
Gross profit		28,356	13,022
Other items of income			
Other income	5	3,663	11,776
Interest income	6	496	466
Other items of expenses			
Marketing and distribution costs		(4,184)	(2,226)
Administrative expenses		(15,632)	(19,007)
Other expenses	7	(1,731)	-
Finance costs	6	(4,573)	(7,286)
Profit / (loss) before tax	8	6,395	(3,255)
Income tax expenses	10	<u>(614)</u>	<u>(726)</u>
Profit / (loss) for the period		5,781	(3,981)
Other comprehensive income / (loss):			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange difference on consolidation/combination		<u>1,554</u>	<u>(1,827)</u>
Total comprehensive income / (loss) for the period		<u>7,335</u>	<u>(5,808)</u>
Profit / (loss) attributable to:			
Owners of the Company		5,946	(3,927)
Non-controlling interests		<u>(165)</u>	<u>(54)</u>
		<u>5,781</u>	<u>(3,981)</u>
Total comprehensive income / (loss) attributable to:			
Owners of the Company		7,500	(5,754)
Non-controlling interests		<u>(165)</u>	<u>(54)</u>
		<u>7,335</u>	<u>(5,808)</u>
Earnings/(Loss) per share attributable to owners of the Company		RMB cents	RMB cents
Basic and diluted	11	<u>34.6</u>	<u>(22.8)</u>

B. CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

		The Group		The Company	
		30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
	<i>Note</i>				
Non-current assets					
Property, plant and equipment	14	228,296	211,073	-	-
Land use right		25,575	26,027	-	-
Intangible assets		-	-	-	-
Investment in subsidiaries		-	-	344,853	344,853
		253,871	237,100	344,853	344,853
Current assets					
Inventories	15	53,480	36,157	-	-
Trade and other receivables	16	227,582	239,361	179,644	184,817
Prepayments	17	106,663	131,686	-	-
Cash and short-term deposits		185,872	197,272	1,044	175
Assets held for sale		38,552	40,370	-	-
		612,149	644,846	180,688	184,992
Total assets		866,020	881,946	525,541	529,845
Equity and liabilities					
Equity attributable to owners of the Company					
Share capital	18	772,574	772,574	772,574	772,574
Treasury shares	18	(6,408)	(6,408)	(6,408)	(6,408)
Reserve fund		66,557	66,557	-	-
Capital reserve		39,573	39,573	39,573	39,573
Restructuring reserve		(117,878)	(117,878)	-	-
Foreign currency translation reserve		669	(885)	-	-
Accumulated losses		(263,312)	(269,258)	(286,352)	(280,992)
Total equity attributable to owners of the Company		491,775	484,275	519,387	524,747
Non-controlling interests		159	449	-	-
Total equity		491,934	484,724	519,387	524,747
Current liabilities					
Trade and other payables	19	127,100	119,631	3,620	3,050
Other liabilities	20	102,384	105,503	2,534	2,048
Loans and borrowings	21	122,476	149,710	-	-
Income tax payable		3,740	4,086	-	-
		355,700	378,930	6,154	5,098
Non-current liabilities					
Deferred tax liabilities		18,386	18,292	-	-
Total liabilities		374,086	397,222	6,154	5,098
Total equity and liabilities		866,020	881,946	525,541	529,845

C. CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

<-----Attributable to owners of the Company----->

Group	Share capital RMB'000	Treasury shares RMB'000	Reserve fund RMB'000	Contributed surplus RMB'000	Restructuring reserve¹ RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	772,574	(6,408)	66,456	39,573	(117,878)	(10,718)	(121,099)	392	622,892
Total comprehensive loss for the period	-	-	-	-	-	(1,827)	(3,927)	(54)	(5,808)
Dividend paid to non-controlling interests								(180)	(180)
At 30 June 2020	772,574	(6,408)	66,456	39,573	(117,878)	(12,545)	(125,026)	158	616,904
At 1 January 2021	772,574	(6,408)	66,557	39,573	(117,878)	(885)	(269,258)	449	484,724
Total comprehensive income for the period	-	-	-	-	-	1,554	5,946	(290)	7,210
At 30 June 2021	772,574	(6,408)	66,557	39,573	(117,878)	669	(263,312)	159	491,934

Company	Share capital RMB'000	Treasury shares RMB'000	Contributed surplus RMB'000	Accumulated losses RMB'000	Total equity RMB'000
At 1 January 2020	772,574	(6,408)	39,573	(131,307)	674,432
Total comprehensive loss for the period	-	-	-	(295)	(295)
At 30 June 2020	772,574	(6,408)	39,573	(131,602)	674,137
At 1 January 2021	772,574	(6,408)	39,573	(280,992)	524,747
Total comprehensive loss for the period	-	-	-	(5,360)	(5,360)
At 30 June 2021	772,574	(6,408)	39,573	(286,352)	519,387

Note:

¹ **Restructuring reserve:**

This represents the difference between the nominal value of shares issued by the Company in exchange for the nominal value of shares and capital reserve of subsidiaries acquired which is accounted for under “merger accounting”.

D. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months Ended 30 June 2021 (Unaudited) RMB'000	6 months Ended 30 June 2020 (Unaudited) RMB'000
OPERATING ACTIVITIES		
Profit / (Loss) before taxation	6,271	(3,255)
<u>Adjustments for:</u>		
Depreciation of property, plant and equipment	15,455	16,423
Amortisation of land use rights	453	453
(Written back)/Allowance for doubtful trade receivables	(5,195)	535
Written back for advances to suppliers	(1,074)	(1,052)
Loss on disposal of assets held for sale	181	-
Interest expense	4,573	7,287
Interest income	(496)	(466)
Foreign currency difference	580	(1,340)
Total adjustments	14,477	21,840
Operating cash flows before changes in working capital	20,748	18,585
(Increase)/ Decrease in:		
Inventories	(17,322)	(20,290)
Trade and other receivables	16,972	(24,633)
Prepayments	26,096	(18,222)
<u>Increase/ (Decrease) in:</u>		
Trade payables	4,647	(277)
Other payables & accruals	1,996	(32,682)
Due to directors	(2,293)	(16,686)
Total changes in working capital	30,096	(112,790)
Cash flows generated from/(used in) operations	50,844	(94,205)
Income tax paid	(867)	(736)
Net cash generated from/(used in) operating activities	49,977	(94,941)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(32,678)	(5,612)
Deposits received from disposal of assets held for sale	-	299,247
Proceeds from disposal of assets held for sale	1,638	-
Interest income received	496	466
Net cash (used in)/generated from investing activities	(30,544)	294,101
FINANCING ACTIVITIES		
Dividend paid to non-controlling interest	-	(180)
Proceeds from short-term borrowings	65,097	161,366
Repayments for short-term borrowings	(95,930)	(210,006)
(Increase) / Decrease in fixed deposits pledged to banks	(3,000)	6,000
Net cash used in financing activities	(33,833)	(42,820)
NET (DECREASE) / INCREASE IN CASH & CASH EQUIVALENTS	(14,400)	156,340
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	160,772	27,512
CASH & CASH EQUIVALENTS AT END OF PERIOD (Note A)	146,372	183,852

D. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Note A:

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following:

	6 months Ended 30 June 2021	6 months Ended 30 June 2020
	Unaudited RMB'000	Unaudited RMB'000
Fixed deposits	39,500	54,000
Cash and bank balances	146,372	183,852
	<u>185,872</u>	<u>237,852</u>
Less: Fixed deposits (pledged)	(39,500)	(54,000)
Cash and cash equivalents	<u><u>146,372</u></u>	<u><u>183,852</u></u>

Fixed deposits amounting to RMB39,500,000 (2020: RMB54,000,000) were pledged to banks for the Group's bills payable to banks, short-term bank loans and bank overdrafts.

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

1.1 General information

Fuxing China Group Limited (the “Company”) was incorporated and domiciled as an exempt company with limited liability in Bermuda and is listed on the mainboard in Singapore Exchange Securities Trading Limited (“SGX-ST”).

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiaries are disclosed in Note 1.2 to the financial statements.

The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business of the Group is located at Hangbian Industry Area, Longhu Town, Jinjiang City, Fujian Province, People’s Republic of China (the “PRC”).

1.2 Group structure

Details of the subsidiaries of the Company at the end of the reporting period are set out below:

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>Effective equity held by the Company</u>	
			<u>30 June 2021 %</u>	<u>31 December 2020 %</u>
<u>Held by the Company</u>				
Jade Star Group Holdings Limited (“Jade Star”) ⁽¹⁾	British Virgin Islands	Investment holding	100	100
Fuxing China Group Limited (HK) ("FCG") ⁽¹⁾	Hong Kong	Investment holding, to facilitate the application of the State-owned Land Use Right Certificate in respect of the Land Parcel	100	100
<u>Held through Jade Star</u>				
Jinjiang Fookhing Zipper Co., Ltd ("Fookhing Zipper") ⁽²⁾	People's Republic of China	Production and sale of finished zippers and zipper chains	100	100
Jinjiang Fuxing Dress Co., Ltd ("Fuxing Dress") ⁽²⁾	People's Republic of China	Production and sale of zipper sliders	100	100
Fookhing Group Trading Co., Ltd (“Fuxing HK”) ⁽²⁾	Hong Kong	Trading of raw materials for textile sector	100	100
Fulong Zipper and Weaving Co., Ltd ("Fulong") ⁽¹⁾	People's Republic of China	Colour dyeing of fabric tapes for zippers	100	100
Jinjiang Jianxin Weaving Co., Ltd ("Jianxin") ⁽¹⁾	People's Republic of China	Manufacturing and sales of dyed yarn	100	100
Jinjiang Fuxin Electroplating Co., Ltd ("Fuxin") ⁽¹⁾	People's Republic of China	Provision of electroplating services for zipper sliders	100	100
<u>Held through FCG</u>				
Xiamen Fuxing Industrial Co., Ltd. (“Xiamen Fuxing”) ⁽²⁾	People's Republic of China	Real estate development	100	100
<u>Held through Xiamen Fuxing</u>				
Xiamen Xinfuxing Property Management Co., Ltd (“Xiamen Property”) ⁽³⁾	People's Republic of China	To handle property management and realtor services for the Group’s Xiamen headquarters	80	80

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The condensed interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)”) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and the Group’s performance since the last audited annual financial statements for the year ended 31 December 2020.

The condensed interim financial statements are presented in Renminbi (“RMB”) and all amounts have been rounded to the nearest thousand (“RMB’000”), unless otherwise stated.

The accounting policies and method of computations used in the condensed interim financial statements are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out as below:

2.2 New and amended Standards adopted by the Group

A number of amendments to Standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

2.3 Use of judgment and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2020.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Management is of the opinion that there are no critical judgements that have a significant effect on the amounts recognised in the financial statements.

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

3 SEASONAL OPERATIONS

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4 SEGMENT INFORMATION AND REVENUE

For management purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

(i) **Zippers**

This operating segment is further sub-divided into 2 sub-segments as follows:

(a) **Zipper Chains**

The zipper chain consists of 2 strips of fabric tapes, with parallel rows of specially shaped nylon, metal or plastic teeth, as the case may be, either weaved on or punched onto adjacent edges of a fabric tape, thereby interlocking with each other to provide a firm grip and resulting in a zipper chain.

(b) **Zipper Sliders**

The zipper slider consists of a zinc zipper head and zipper pull tab which is subsequently affixed on the zipper chain, such that it moves along the rows of teeth, allowing the teeth to be fastened or separated, depending on the direction of the movement.

(ii) **Processing**

Processing represents colour dyeing of fabric tapes for zippers, electroplating services for zipper sliders and manufacturing and sales of dyed yarn.

(iii) **Trading**

The trading segment represents trading of raw materials, including rubber thread, nylon fabric and nylon yarn.

(iv) **Corporate**

The corporate segment is involved in Group-level corporate services and treasury functions.

Except as indicated above, no operating segments has been aggregated to form the above reportable operating segments.

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENT INFORMATION AND REVENUE (CONTINUED)

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Segment assets and liabilities are not disclosed as such separate financial information is not available but is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources to the operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Geographical information

Revenue and non-current assets information based on geographical location of customers and assets respectively are as follows:

	<u>Revenue</u>		<u>Non-current assets</u>	
	30 June 2021 RMB'000	30 June 2020 RMB'000	30 June 2021 RMB'000	31 December 2020 RMB'000
People's Republic of China	232,653	204,246	253,870	237,099
Hong Kong	<u>108,575</u>	<u>132,982</u>	<u>1</u>	<u>1</u>
Total	<u>341,228</u>	<u>337,228</u>	<u>253,871</u>	<u>237,100</u>

Non-current assets information presented above consist of property, plant and equipment, investment property, land use rights, intangible assets and prepayments as presented in the statement of financial position.

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENT INFORMATION AND REVENUE (CONTINUED)

Business segments

The following table presents revenue, results and other information regarding the Group's business segments for the periods ended 30 June 2021 and 2020.

Group	Zipper	Zipper	Trading	Processing	Corporate	Elimination	Total
30 June 2021	Chains	Sliders					
Revenue:	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Sales to external customers	163,835	39,703	108,574	29,116	-	-	341,228
Inter-segment sales	-	4,559	-	13,024	-	(17,583)	-
Total revenue	163,835	44,262	108,574	42,140	-	(17,583)	341,228
Results:							
Segment gross profit	16,793	4,293	2,272	4,998	-	-	28,356
Segment results	6,765	1,855	9,289	(2,387)	(5,050)	-	10,472
Interest income	367	86	-	6	37	-	496
Financial costs	(3,436)	-	(427)	(710)	-	-	(4,573)
Profit before income tax							6,395
Income tax expenses							(614)
Net profit attributable to shareholders							5,781
Other segment information							
Loss on disposal of fixed assets	-	-	-	-	181	-	181
Depreciation and amortisation	7,981	1,687	1	6,226	13	-	15,908
Allowance / (Write back) of doubtful trade and other receivables	81	(37)	(6,942)	1,230	473	-	(5,195)
(Write back) / Allowance of doubtful advance to suppliers	(1,818)	464	-	280	-	-	(1,074)
Write off of property, plant and equipment	-	-	-	86	-	-	86
Total assets	529,735	81,776	75,036	130,123	49,350	-	866,020
Total assets include:							
Capital expenditure for property, plant and equipment	30,000	1,924	-	754	-	-	32,678
Total liabilities	(219,538)	(40,352)	(41,853)	(68,962)	(3,381)	-	(374,086)

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENT INFORMATION AND REVENUE (CONTINUED)

Business segments (Continued)

Group	Zipper	Zipper	Trading	Processing	Corporate	Elimination	Total
30 June 2020	Chains	Sliders					
Revenue:	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Sales to external customers	147,431	34,341	132,982	22,474	-	-	337,228
Inter-segment sales	-	5,102	-	7,306	-	(12,408)	-
Total revenue	147,431	39,443	132,982	29,780	-	(12,408)	337,228
Results:							
Segment gross profit	8,409	2,584	2,879	(850)	-	-	13,022
Segment results	1,461	1,369	2,756	(6,078)	4,057	-	3,565
Interest income	380	80	-	3	3	-	466
Financial costs	(5,068)	-	(627)	(714)	(877)	-	(7,286)
Loss before income tax							(3,255)
Income tax expenses							(726)
Net loss attributable to shareholders							(3,981)
Other segment information							
Depreciation and amortisation	8,772	1,622	1	6,048	433	-	16,876
Allowance for doubtful trade and other receivables	10	128	-	397	-	-	535
Allowance/(reversal) for advance to suppliers	(890)	(285)	-	123	-	-	(1,052)
Total assets	590,083	84,603	89,411	128,923	531,299	-	1,424,319
Total assets include:							
Capital expenditure for property, plant and equipment	4,561	440	-	611	-	-	5,612
Total liabilities	(335,102)	(53,610)	(47,174)	(61,603)	(309,926)	-	(807,415)

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

5. OTHER INCOME

	6 months ended 30 June 2021 RMB'000	6 months ended 30 June 2020 RMB'000
Government grants	25	-
Foreign exchange gain, net	-	2,915
Rental and management income	3,628	8,826
Others	10	35
	3,663	11,776

6. INTEREST INCOME AND FINANCIAL COSTS

	6 months ended 30 June 2021 RMB'000	6 months ended 30 June 2020 RMB'000
Interest income from:		
- Bank deposits	496	466
 Interest expense on:		
- Bank loans	4,573	7,286

7. OTHER EXPENSES

	6 months ended 30 June 2021 RMB'000	6 months ended 30 June 2020 RMB'000
Loss on disposal of assets held for sale	181	-
Foreign exchange loss, net	1,550	-
	1,731	-

8. PROFIT / LOSS BEFORE INCOME TAX

The following charges/(credits) were included in determination of profit / loss before income tax:

	6 months ended 30 June 2021 RMB'000	6 months ended 30 June 2020 RMB'000
Personnel expenses	38,031	27,285
Loss on disposal of assets held for sale	181	-
Net (reversal)/allowance for doubtful trade receivables	(5,195)	535
Net reversal for advance to suppliers	(1,074)	(1,052)

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

9. RELATED PARTY TRANSACTIONS

There are no material related party transactions apart from those disclosed elsewhere in the financial statements.

10. TAXATION

	6 months ended 30 June 2021 RMB '000	6 months ended 30 June 2020 RMB '000
Current income tax expenses	520	701
Deferred income tax expenses relating to origination and reversal of temporary differences ¹	94	25
Income tax expenses for the period	614	726

Note:

- On 22 February 2008, the State Administration of Taxation of China issued a circular Caishui 2008 No.001, which stated that distribution of dividends from profits accumulated from 1 January 2008, shall be subject to a withholding tax on distribution to foreign investors. Accordingly, the Group had provided for deferred tax liabilities on the Group's profit-making PRC subsidiaries' net profit attained from 1 January 2008 onwards. As Jade Star (the PRC's subsidiaries' immediate holding company) is incorporated in the British Virgin Islands, the applicable withholding tax rate is 10%.

11. EARNINGS / (LOSS) PER SHARE

Basic earnings / (loss) per share is calculated by dividing the earnings / loss for the period attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial period amounting to 17,205,438 ordinary shares (2020: 17,205,438).

The following tables reflect the earnings / (loss) and share data used in the computation of basic and diluted earnings / (loss) per share for the periods ended:

	Group	
	30 June 2021 RMB'000	30 June 2020 RMB'000
Profit/(Loss) for the year attributable to owners of the Company	5,946	(3,927)
	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares for basic and diluted earnings/ (loss) per share computation	17,205	17,205

Note: Basic earnings / (loss) per share is computed based on weighted average number of shares in issue in 17,205,438 ordinary shares (2020: 17,205,438).

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

11. EARNINGS / (LOSS) PER SHARE (CONTINUED)

	<u>Group</u>	
	30 June <u>2021</u>	30 June <u>2020</u>
Basic and diluted earnings / (loss) per share (RMB cents per share)	<u>34.6</u>	<u>(22.8)</u>

12. NET ASSET VALUE PER SHARE

	<u>Group</u>		<u>Company</u>	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
Net asset value per share based on issued share capital at the end of the period (in RMB)	28.6	28.1	30.2	30.5

Net asset value per share for both periods is computed based on the number of shares in issue of 17,205,438.

13. DIVIDENDS

No interim dividend for the half year ended 30 June 2021 (30 June 2020: Nil) is recommended as the Group intends to conserve cash for its operational needs.

14. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired assets amounting to RMB32.7 million (30 June 2020: RMB 5.6 million).

15. INVENTORIES

	<u>Group</u>	
	30 June <u>2021</u> RMB'000	31 December <u>2020</u> RMB'000
Raw materials	18,471	10,167
Work-in-progress	9,321	8,206
Finished goods	25,688	17,784
	<u>53,480</u>	<u>36,157</u>

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

16. TRADE AND OTHER RECEIVABLES

	<u>Group</u>		<u>Company</u>	
	<u>30 June 2021</u>	<u>31 December 2020</u>	<u>30 June 2021</u>	<u>31 December 2020</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Trade receivables	299,664	312,882	-	-
Less: loss allowance	(89,834)	(95,029)	-	-
	209,830	217,853	-	-
Bills receivables	14,088	15,387	-	-
Other receivables	3,664	6,121	2	2
Amount due from subsidiaries (non-trade)	-	-	179,642	184,815
Total trade and other receivables	<u>227,582</u>	<u>239,361</u>	<u>179,644</u>	<u>184,817</u>

Loss allowance

	<u>30 June 2021</u>	<u>31 December 2020</u>
	<u>RMB'000</u>	<u>RMB'000</u>
At 1 January	95,029	66,445
Net (Reversal)/Charge for the financial period/year	<u>(5,195)</u>	<u>28,584</u>
	<u>89,834</u>	<u>95,029</u>

17. PREPAYMENTS

	<u>30 June 2021</u>	<u>31 December 2020</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Advances to suppliers	57,555	86,515
Prepayment for property, plant and equipment	46,417	41,920
Prepaid operating expenses	<u>2,691</u>	<u>3,251</u>
	<u>106,663</u>	<u>131,686</u>

18. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	<u>Group and Company</u>			
	<u>2021</u>		<u>2020</u>	
	No. of shares '000	Value RMB'000	No. of shares '000	Value RMB'000
At 30 June/31 December	<u>17,205</u>	<u>772,574</u>	<u>17,205</u>	<u>772,574</u>

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have par value of SGD 5 each.

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

18. SHARE CAPITAL AND TREASURY SHARES

(b) Treasury shares

	<u>Group and Company</u>			
	<u>2021</u>		<u>2020</u>	
	No. of shares '000	Value RMB'000	No. of shares '000	Value RMB'000
At 30 June/31 December	277	6,408	277	6,408

Treasury shares relate to ordinary shares of the Company that are held by the Company.

19. TRADE AND OTHER PAYABLES

	<u>Group</u>		<u>Company</u>	
	<u>30 June</u> <u>2021</u> RMB'000	<u>31 December</u> <u>2020</u> RMB'000	<u>30 June</u> <u>2021</u> RMB'000	<u>31 December</u> <u>2020</u> RMB'000
Trade payables	13,074	8,426	-	-
Bills payables to banks	113,563	108,449	-	-
Amounts due to directors (non-trade)	463	2,756	3,620	3,050
Total trade and other payables	127,100	119,631	3,620	3,050

20. OTHER LIABILITIES

	<u>Group</u>		<u>Company</u>	
	<u>30 June</u> <u>2021</u> RMB'000	<u>31 December</u> <u>2020</u> RMB'000	<u>30 June</u> <u>2021</u> RMB'000	<u>31 December</u> <u>2020</u> RMB'000
Contract liabilities – advances from customers	59,759	54,590	-	-
Accrued salary and bonuses	40,949	36,005	-	548
Other accruals	1,676	14,908	2,534	1,500
Total trade and other payables	102,384	105,503	2,534	2,048

21. LOANS AND BORROWINGS

	<u>Group</u>	
	<u>30 June</u> <u>2021</u> RMB'000	<u>31 December</u> <u>2020</u> RMB'000
Short-term bank loans:		
Loan 1	87,000	102,500
Loan 2	9,500	9,600
Loan 3	6,976	6,610
Loan 4	19,000	19,000
Loan 5	-	12,000
Total loans and borrowings	122,476	149,710

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

21. LOANS AND BORROWINGS (CONTINUED)

- 1 This short-term bank loan is secured by bank deposits of Jinjiang Fookhing Zipper Co., Ltd, and certain land use rights and buildings owned by Jinjiang Jianxin Weaving Co., Ltd, located at Donghaian Development Zone, Shenhui Town, Jinjiang City, Fujian Province, the PRC and personal guarantee from related party – Mr. Hong Qing Liang (Executive Chairman and CEO), and corporate guarantee from related party Jinjiang Fuxing Dress Co., Ltd and independent third party – Jinjiang Yuanda Garment Weaving Co., Ltd.
- 2 This short-term bank loan is secured by certain land use rights and buildings owned by Jinjiang Fookhing Zipper Co., Ltd, located at Hangbian Industrial Area, Longhu Town, Jinjiang City, Fujian Province, the PRC and personal guarantee from related party – Mr. Hong Qing Liang (Executive Chairman and CEO), and corporate guarantee from a related party – Jinjiang Fuxing Dress Co., Ltd, and independent third party – Jinjiang Yuanda Garment Weaving Co., Ltd.
- 3 This short-term bank loans is secured by a charge over property (Unit 13 on 5th Floor) located at Seapower Tower Concordia Plaza, No.1 Science Museum Road, Kowloon owned by Goldplan Corporation Limited, a corporate guarantee from Fuxing China Group Limited, and a personal guarantee from a related party - Mr. Hong Qing Liang (Executive Chairman and CEO).

Goldplan Corporation Limited is wholly-owned by Mr. Hong Qing Liang (Executive Chairman and CEO).
- 4 This loan is guaranteed by personal guarantee from a related party – Mr. Hong Qing Liang (Executive Chairman and CEO), an independent third party – Mr. Wu Yuan Yang and corporate guarantee from an independent third party – Jinjiang Yuanda Garment Weaving Co., Ltd.
- 5 This loan is secured by charge over property jointly owned by related parties Mr. Hong Qing Liang (Executive Chairman and CEO), Mr. Hong Peng You (Executive Director), Mr. Hong Shui Ku (Executive Director of Jinjiang Fookhing Zipper Co., Ltd), independent third party – Hong Qing Ke and Wu Jin Fan and bears an effective interest rate of 2.05% (31 December 2020: 2.05%) and has been fully repaid during 30 June 2021.

All loans and borrowings are denominated in the functional currencies of the respective entities as at 30 June 2021 and 31 December 2020. The short-term loans bear interest ranging from 4.5% to 7.4% (31 December 2020: 2.1% to 7.4%) and are repayable within 12 months.

22. CAPITAL COMMITMENTS

	30 June 2021 RMB'000	<u>Group</u> 31 December 2020 RMB'000
Commitments for the acquisition of property, plant and equipment	82,498	82,498
Prepayment (excluding value added tax)	3,757	35,356
Total cost of property, plant and equipment	86,255	117,854

23. SUBSEQUENT EVENTS

There are no known subsequent events which have led to adjustments to this set of interim financial statements.

F. OTHER INFORMATION REQUIRED BY LISTING RULE APPENDIX 7.2

1. Review

The consolidated statement of the financial position of Fuxing China Group Limited and its subsidiaries as at 30 June 2021 and the related consolidated profit or loss and other comprehensive income consolidated statement of changes in equity and consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed

2. Review of performance of the Group

Revenue

The Group's revenue increased by RMB4.0 million (or 1%) to RMB341.2 million. This was mainly due to the increase in the sales of the Zipper segment (RMB21.7 million) and Processing segment (RMB6.6 million). The increase was partially offset by the decrease in the Trading segment (RMB24.4 million).

The inter-segment sales elimination represented the dyeing and electroplating services provided by the Processing segment to the Zipper segment.

The increase in revenue from Zipper segment for 1H2021 was mainly due to the increase in demand from the customers who has previously purchased from Vietnam and India. As a result of dire COVID-19 situation in Vietnam and India, these customers had shifted their orders to China.

The Group's Trading segment relates to the sourcing and buying of certain raw materials (such as rubber thread, nylon fabric and nylon yard) in accordance with customers' requirements. The profit margin and all purchases were based on confirmed sales. As such, the sales volume, profit margin are dependent on customers' demand. The decrease in revenue from the Trading segment was mainly due to the decrease in sales volume during 1H2021 as a result of reduced demand.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by RMB15.3 million (or 118%) to RMB28.4 million, mainly due to increase in gross profit from the Zipper segment and Processing segment.

Average gross profit margin increased by 4.4 percentage points to 8.3% mainly due to the increase in gross profit margin from the Zipper segment and the Processing segment, arising from the increased selling prices.

Other income and expenses

Other income comprises government subsidies, sales of scrap materials, rental and management fee income from the Group's Xiamen headquarters ("Xiamen HQ"). Other expenses comprised net foreign exchange loss and loss on disposal of assets held for sale.

The loss on disposal of assets held for sale (RMB0.2 million) was recognised at the time of completion of the disposal and sales of the units of car parks at Xiamen HQ.

The foreign exchange loss arose from the appreciation of RMB against USD and SGD in the Group's foreign currencies denominated bank balances and from the translation of HK dollar denominated balances owing from subsidiaries in the Company's book due to appreciation of RMB against HK dollar.

F. OTHER INFORMATION REQUIRED BY LISTING RULE APPENDIX 7.2

Selling and distribution expenses

Selling and distribution expenses increased by RMB2.0 million (or 88%) to RMB4.2 million mainly due to increase in transportation costs incurred for shipments of the goods. As a result of the COVID-19 outbreak, additional costs were incurred on rental of new shipping containers to ship out the goods arising from the global shortage of shipping containers.

General and administrative expenses

General and administrative expenses decreased by RMB3.4 million (or 18%) to RMB15.6 million. This was mainly due to the reversal of allowance for doubtful debts and advances to suppliers.

The reversal of allowance for doubtful trade receivables amounted to RMB5.2 million arose from settlement of long outstanding balances by customers.

The written back of allowance for advances to suppliers amounted to RMB1.1 million following the receipt of raw materials in 1H2021.

Finance income and expenses

Finance expenses decreased by RMB2.7 million to RMB4.6 million. This was mainly due to the repayment of short-term bank loans in 1H2021.

Finance income increased by RMB30 thousand (or 6%) to RMB0.5 million was mainly due to the increase in cash and bank balances after the receipt of the proceeds from disposal of Xiamen HQ.

F. OTHER INFORMATION REQUIRED BY LISTING RULE APPENDIX 7.2

FINANCIAL POSITION

Non-current assets

As at 30 June 2021, non-current assets amounted to RMB253.9 million comprising property, plant and equipment and land use rights.

The Group's property, plant and equipment amounted to RMB228.3 million, an increase of 8% (or RMB17.2 million) compared to RMB211.1 million as at 31 December 2020. The increase was mainly due to the enhancement done in 1H2021 on the voltage network for higher electricity capacity.

Current assets

As at 30 June 2021, current assets amounted to RMB612.1 million, decreased by 5% (or RMB32.7 million) compared to RMB644.8 million as at 31 December 2020. This was largely due to a decrease in prepayments as a result of utilisation of raw materials.

Inventories increased by RMB17.3 million (or 48%) to RMB53.5 million due to a built-up of inventories as the Group held a 3-months raw materials production requirement for the purpose of production efficiency compared to a 2-months raw materials production requirement as at 31 December 2020.

Assets held for sale represented the remaining office units on the lower floors at level 2 to 4 and car parks at Xiamen HQ. Under SFRS5, "Non-current Assets Held for Sale and Discontinued Operations", the remaining office units and car parks at Xiamen HQ are available for sale upon receipt of buyers' offers.

For advances to suppliers, the Group will secure supply agreements with its various suppliers. The prepayments to suppliers were to secure the supply of raw materials at competitive prices for the year, at about 2% to 3% discount of the total contracted value. The Group will make the advance payment upon the signing of the purchase agreements. After the receipt of the advance payments, the suppliers will take approximately 1 to 2 months to make full delivery of the raw materials to the Group's warehouse.

Cash and bank balances decreased from RMB197.3 million to RMB185.9 million mainly due to the repayment of short-term bank loans during 1H2021.

Current liabilities

As at 30 June 2021, total current liabilities were RMB355.7 million, a decrease of 6% (or RMB23.2 million) compared to RMB378.9 million as at 31 December 2020. This was mainly attributable to the decrease in short-term bank loans.

The short-term bank loan decreased by RMB27.2 million (or 18%) to RMB122.5 million as at 30 June 2021 compared to RMB149.7 million as at 31 December 2020. This was mainly due to the utilisation of disposal proceeds to repay short-term bank loans after the completion of the disposal of office building at Xiamen HQ.

The amount due to a director was funds remitted from Mr Hong Qing Liang for the payment of the professional fees and expenses incurred by the Company. There is no fixed payment schedule for the personal loan from Mr. Hong Qing Liang who had also agreed that all his personal loans granted shall be interest free. The decrease in amount due to Mr Hong Qing Liang was due to the repayments made to him in 1H2021.

F. OTHER INFORMATION REQUIRED BY LISTING RULE APPENDIX 7.2

Non-current liabilities

Non-current liabilities comprised of deferred tax liabilities. The decrease in deferred tax liabilities was mainly due to the deferred tax credit in 1H2021 as explained above under the note (10) for income tax expense.

CASH FLOW

Operating activities

Net cash flows generated from operating activities in 1H2021 amounted to RMB50.0 million while net cash flows used in operating activities in 1H2020 amounted to RMB94.9 million. This was mainly due to the decrease in trade and other receivables, and prepayments.

Investing activities

Net cash flows used in investing activities in 1H2021 amounted to RMB30.5 million while net cash flows generated from investing activities in 1H2021 amounted to RMB294.1 million. This was mainly due to the proceeds received from the purchasers for the disposal of office building at Xiamen HQ during 1H2020.

Financing activities

Net cash flows used in financing activities in 1H2021 amounted to RMB33.8 million compared to amounted RMB42.8 million in 1H2020. This was mainly due to the higher repayments of short-term bank loans in 1H2020.

3. Where a forecast, or prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

The performance for 1H2021 is in line with the Company's commentary in paragraph 10 of its results announcement released to SGX-ST via SGXNET on 26 February 2021.

4. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next operating period and the next 12 months

The Group recorded improvements in sales and gross profit margin in 1H2021 compared to the same corresponding period last year. Despite the recent COVID-19 resurgence in the PRC, the Group is cautiously optimistic that the improvement in sales and gross profit margin in 1H2021 would continue in the second half of 2021. Nevertheless, for the next 12 months, the Group expects cost pressures arising from the increased production and labour cost will still continue to affect its operating outlook. As such, the Group is currently automating its manufacturing process progressively to mitigate the above mentioned cost pressures. The Group aims to improve the quality of its zippers through the automation process which would eventually translate to higher margin sales orders from new customers segment. In addition, the Group will be keeping a tight rein over its operating costs and monitoring its receivables and collections closely.

Update on impact of COVID-19 pandemic on the Group's operations in PRC

PRC saw a rise in COVID-19 cases in certain cities due to the spread of the Delta variant. To-date, the COVID-19 situation in Jinjiang City, Fujian Province is still under control. The Group is currently operating at normalcy without any disruption in production and operations.

F. OTHER INFORMATION REQUIRED BY LISTING RULE APPENDIX 7.2

Update on utilisation of proceeds from the Disposal of Xiamen HQ

As announced on 16 June 2021, the Group has completed the disposal of all units of the Disposal of Xiamen HQ (the “Disposal”).

As at the date of this announcement, the net proceeds raised from the Disposal, after deducting the related costs and expenses, as set out in the circular to the Company’s shareholders dated 2 November 2020 (the “Circular”), amounted to approximately RMB374.73 million. The updates on the utilisation of the net proceeds from the Disposal as disclosed in the Circular are as follows:

Intended use of net proceeds as disclosed in the Circular (In RMB’000)	Amount allocated	Amount utilised	Balance to be utilised
Repayment of bank borrowings including the mortgage loan for the office building	170,000	170,000	-
Automation plan to upgrade and replace its machineries	110,000	38,500	71,500
Working capital	71,731	71,731	-
Repayment of director’s loans	23,000	19,300	3,700
Total	374,731	299,531	75,200

5. Dividend information

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?

No

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No

(c) Date payable

Not Applicable

(d) Books closure date

Not Applicable

6. Interested person transactions

The Group has not obtained a general mandate from shareholders of the Company for Interested Person Transactions.

F. OTHER INFORMATION REQUIRED BY LISTING RULE APPENDIX 7.2

7. Confirmation that the issuer has procured undertaking from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)

The Company has received undertaking from all its directors and executive officers in the format as set in Appendix 7.7 under Rule 720(1) of the Listing Manual of the SGX-ST.

FUXING CHINA GROUP LIMITED
(Incorporated in Bermuda)

Confirmation By Board

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the six months ended 30 June 2021 to be false or misleading in any material aspect.

On behalf of the
Board of Directors of
Fuxing China Group Limited

.....
Hong Qing Liang
Director

.....
Hong Peng You
Director

Date: 13 August 2021